

Message Text

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ORIGIN AGRE-00

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FM SECSTATE WASHDC
TO AMEMBASSY LAGOS PRIORITY

C O N F I D E N T I A L STATE 082394

ALSO PASS DEPUTY ASSISTANT SECRETARY HORMATZ WITH PRESI-
DENTIAL PARTY
E.O. 11652: GDS

TAGS: EAGR, ETRD, NI

SUBJECT: POSSIBLE NIGERIAN RESTRICTIONS ON RICE

1. WE ARE SURPRISED AND GREATLY CONCERNED BY REPORTS CIR-
CULATING IN VARIOUS QUARTERS THAT DRASTIC NEW RESTRICTIONS
MAY BE IMPOSED UPON IMPORTS OF RICE BY GON IN VERY NEAR
FUTURE. A MAJOR INCREASE IN IMPORT DUTY WOULD BE COSTLY
TO THE US RICE INDUSTRY AND WOULD SERIOUSLY DAMAGE THE
CURRENT FLOW OF TRADE AS WELL AS THE POTENTIAL OF FUTURE
GROWTH. THE POSSIBLE ADDITIONAL RESTRAINT OF LICENSING,
HOWEVER, PARTICULARLY IF IT INVOLVES A CUTOFF OF IMPORTS
FOR ANY PERIOD, WOULD CAUSE MAJOR DISRUPTION FOR US
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SUPPLIERS IN COMING MONTHS. ROUGHLY 40,000 TONS OF US
RICE ARE CURRENTLY CONTRACTED FOR SHIPMENT TO NIGERIA IN
THE NEAR FUTURE, AND IF DELIVERY OF THIS RICE IS TO BE
STOPPED BY ANY NEW ACTION, THERE WOULD BE MAJOR REPER-
CUSSIONS FOR THE MILLS AND EXPORTERS INVOLVED.

2. IN TERMS OF OVERALL US/NIGERIAN TRADE, IMPORTS

OF US RICE CURRENTLY ARE RUNNING DOLS. 100 MILLION PER YEAR AND REPRESENT OVER 10 PERCENT OF TOTAL NIGERIAN IMPORTS OF US GOODS. ACCORDINGLY, ACTION SO DISRUPTIVE AS THAT

NOW REPORTEDLY IMMINENT FOR NIGERIA'S RICE IMPORTS WOULD SERIOUSLY AFFECT THE TWO-WAY FLOW OF TRADE BETWEEN THE TWO COUNTRIES. ALSO, BECAUSE RICE IS AN ITEM WITH SIGNIFICANT GROWTH POTENTIAL, THE ACTION REPORTEDLY BEING CONSIDERED WOULD LIKELY HAVE IMPORTANT IMPLICATIONS FOR OUR FUTURE TRADE.

3. THE POSSIBLE RESTRICTIONS ON RICE ARE OF FOREMOST CONCERN AT THIS TIME BUT ARE NOT OUR EXCLUSIVE CONCERN. THE DEPARTMENT OF COMMERCE IS STUDYING THE TRADE IMPACT OF THE OTHER PROPOSED ACTIONS AND WE WILL ADVISE THE EMBASSY OF COMMERCE'S CONCLUSIONS AND OF OUR VIEWS ON THE BROADER IMPLICATIONS OF THE NIGERIAN RESTRICTIONS BY SEPTEL. WE WILL WISH TO COMMUNICATE OUR VIEWS TO THE HIGHEST APPROPRIATE LEVELS OF THE GON AT THE EARLIEST APPROPRIATE OPPORTUNITY. HOWEVER, WE LEAVE IT TO THE EMBASSY'S JUDGEMENT WHETHER TO DISCUSS THE CASE OF RICE WITH THE GON SEPARATELY OR WHETHER TO AWAIT OUR COMPLETE VIEWS. IF A TWO STAGE APPROACH WOULD SIGNIFICANTLY REDUCE IMPACT OF OUR VIEWS, THE EMBASSY SHOULD OBVIOUSLY WAIT. IF NOT, TRADE AND INDUSTRY CONCERNS SUGGEST AN EARLY APPROACH ON RICE. COOPER
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